



## The effect of Procedural justice Climate on Psychological Contract and Individual behavior

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**Abstract-** Psychological contract between employee and employer is one of the most important idea as it is the main way of understanding the feelings, attitudes, and behaviors of individuals at workplace. The unfair procedural justice climate at workplace results in increased feeling of anger among employees that leads to decreased psychological contract, individual behavior and organizational performance. This study examined the empirical effect of Procedural justice Climate on Psychological Contract and Individual behavior. The cross-sectional survey results revealed that Procedural justice Climate at workplace has significant and positive effect on psychological contract and individual behavior. It is concluded that fair procedural justice climate, strong psychological contract between employee and employer creates positive changes in individual in-role and extra-role behavior at workplace. It is recommended that Equity in employee-supervisor relationship ultimately will improve individual and organizational performance. Study has important implications and gives insights into the relationship among Procedural justice Climate, Psychological Contract and Individual behavior.

**Key words:** Procedural justice, Psychological contract, Individual behavior

### I. INTRODUCTION

Psychological contract represents the understanding of expectations between the employer and employee. Generally psychological contract term means a good relationship between stakeholders including employee and employer. Psychological contract is related to human side of expectations and relationship rather commercial or governance side. The sudden breach of this contract has unexpected consequences for the employees and as well for organization which ultimately lead to suffering of both employee and employer. Employees' behavior has been a great deal for the researchers and practitioners to identify since last three decades in order to understand the employees reaction after failing of commitments and procedural injustices (Van Dijke et al., 2018). The paradigm of psychological contract talks about individuals' beliefs of their reciprocal obligations of individuals with their organization (Shen Y et al., 2019). Earlier studies have stated that the two parties (individual employee and organization) are involved in psychological contract are represented by the employee manager at the workplace. Though, there are some expectations which are broadly shared where all the involved parties are supposed to behave reciprocity as if they are bided with some sort of obligatory terms to each other. This is quite significant to understand and mutual-care in terms of workload, employee performance, and the rewards and incentives to be there to fulfil psychological contract (Van Dijke et al., 2018).

Psychological contract heavily depends on the trust among the parties. Looking into the benefits of each other in building psychological contract would seem to be logical, but it must need to make sure the element of trust is always present in the contract (Van Dijke et al., 2018). Therefore, social exchange theory examines to must include the feelings of "one's own obligation, trust, and recognition" (Shapiro et al., 2008). These three elements (obligation, trust, and recognition) are called fundamentals of the social exchange relationship.

At the workplace, there is a concept of socio-economic which is according to the SET referred to exchange of socio-emotions and economic resources while keeping the elements of reciprocal respect in place within the contract. This contract usually refers to employee-employer psychological contract which is supported by the social exchange and socio-economic relationship (Shapiro et al., 2008). The socio-economic based relationship includes both tangible and intangible resources based on set of expected obligations which will provide in returns of exchange relationship (Shapiro et al., 2008).

The perceived contract breach is one of the most discouraging elements of the psychological contracts. It is not only a breach of the financial contract, but, it is the breach of the employees' feelings and behavior. It usually happens when any one party (the party maybe the subordinate or the supervisor) apparently believes that the promises have not been fulfilled by either of the party involved in the contract. Whereas, the obligations were also not being fulfilled at other party's end. Earlier researchers state that contract breach is a cognitive consciousness that one or more commitments have not been fulfilled while contract violation includes emotional involvement that takes place due to the recognition that a breach has occurred (Ballou, 2013; Shapiro et al., 2008). Moreover, psychological contract breach creates a wide gap between the employees trust and organization loyalty. With the breach they become less loyal to their organization and they lose trust from the employer or supervisor (Shapiro et al., 2008). According to Ballou (2013), psychological contract breach usually becomes an antecedent of the employees' turnover, and most of the employees leave their organization when they come across to the psychological contract breach.

This research study has been designed to evaluate how shared perception of the group members working in the Public sector organizations affects to the procedural justice climate and its extent to which psychological contract breach discourages work deviance behaviours of employees at workplace. Features of work group may affect how employees react when they perceive procedural justice climate. Researchers identify peer's major role in how employees assess psychological contract accomplishment (Shapiro et al., 2008; Ho & Levesque, 2005). Earlier researchers give importance to role of shared perception of employees how they respond to events which lead to either the developing of contract or even breach of contract at workplace and within organizations. Scholars are searching different ways and approaches to manage situations which arise due to contract breach and its influence responses of employees towards psychological contract.

Previous studies examine influence of individual's perception of PCB on the overall output and performance of employees rather than a shared group perception. Thus Shen et al (2019) enhanced literature of psychological contract by discovering importance of PJC as a social and working factor which influences the relationship between individual behavior as well psychological contracts. Scholars are emphasizing on other variables as well to know how they are affecting the relationship psychological contract and individual work related outcome (Shen et al., 2019).

Procedural justice discusses the level of belief of group on authorities regarding fair allocation decisions (Lin and Leung, 2014). Researchers claim that employees behave fairly when they realize more favorable justice climate in organizations. A favorable procedural justice climate at workplace has negative effect on breach of contract and poor individual performance in-extra and in-role performance. Shen et al. claim that procedural justice climate strengthens the relationship between individual performance and psychological contract; and organization-directed citizenship behaviors. Shen et al. conducted this study in China to test their model (Shen et al., 2019).

## **Objectives**

The basic objectives of this study are given below:

1. To know the effect of Procedural justice climate on Psychological contract.
2. To know the effect of Procedural justice climate on Individual behavior.

## **II. LITERATURE REVIEW**

### **Procedural justice climate and Psychological Contract**

Psychological contract behavior is a root of implicit and informal psychological connection between organizations and employees but it has legal effect in prescribed contract and plays a critical role in work-related behaviors (Cheng et al., 2016). When employees perceive unbalance in exchange relationship they often start dropping in-role performance and citizenship behaviors (Shen Y et al., 2019). Psychological contract is an imaginative and an unwritten agreement between employee and employee's manager. PC arises due to imagination of an individual

that's why sometimes it is likely to be misjudged and result in PCB. PCB has negative impact on organizations (Zhao, 2007). In- role performance includes behaviors which are vital for successful execution of assigned organization tasks which can only achieved by required KSA (knowledge, skills and abilities) from an employee.

Extra-role behaviors include voluntary and discretionary work behaviors. These are social behaviours which facilitate better provision of in-role performance and give advantage to organizations. OCB's depends on individual willingness to engage in extra-role behaviours. Social exchange theory state that when employees perceive that organization is not engaging in desired exchange behavior then they also start reducing their input in two-way relationship. A recent meta-analysis of 100 studies result shows inclined in OCB and in-role performance due to PCB (Restubog et al., 2009). So, on the bases of the previous findings and the social exchange theory (SET), the two proposed hypotheses of the study are given below.

A "procedural justice work unit climate" exists when employees' have shared views about particular practices and norms related to subject matter. Climates have various facets ranging from work unit climate to overall workplace climate. The factors or dimensions related to climate are agreed perceptions of employees which inform how they should behave. Scholars recommend that the working climate is viewed as leader's general support in a working process of coworkers, leaders and individuals self-interactions. Shared sense-making process help members to know which activity should perform for others and how others make sense of these actions. It develops more confidence in demonstration of behavioral responses. Shen et al. identified that climate can develop positive effect on Psychological contract and work behaviors (Shen Y et al., 2019). Researchers and scholars suggest that procedural justice climate level can influence interpretation of Psychological contract that will maintain social relationships at workplace in general and organizations in specific.

### **Procedural Justice Climate and Individual behavior**

Procedural Justice Climate is a process of fair distribution of resource allocation which resolves problem in an organization. Shen et al. more interested to identify significance of perceived justice as a mechanism variable related to particular decisions and dealings which have impact on Individual behavior. Procedural equity examines to individuals' perspective and observed interpretative procedures which tell us about individuals' perceptions about behavior (Cassar, 2015). Employee's perception regarding injustice climate leads to counterproductive behaviours. When employees regard fair distribution of resources in a work unit or within organization, employee's confidence may increase while when employees perceive unfairness their behaviour may harm organization (Aaron Cohen & Diamant, 2017).

PJC is sometimes considered as a composite construct which represents employees' a general approach towards justice and fairness in working patterns within organizations. In some studies, its influence as a construct has been studied on the fundamental level of procedural justice for the employees' at workplace. The workers perception related to work outcome developed in their past experience has less relationship with their expectations. Although they consider experience but expectations in future course of work has more effect (Shen Y et al., 2019). Employee's reaction based on their perception of organization's fair procedures. Procedural justice increases the possibility of optimistic employee outcomes. A procedural justice climate enhances citizenship behaviors, trust and commitment of employees (Liao and Rupp 2005).

A recent meta-analysis result shows positive effect of PCJ on Individual behavior both in-role and extra-role at workplace. Empirical evidence recommends that employee's reactions towards unfavorable events can be less risky when they have perception of fair procedures of decision making. This result shows that fair treatment can reduce the negative reaction of employees when they experienced Procedural justice climate. Therefore, procedural justice can influence on individual behavior and it has positive impact on employee work performance (Restubog et al., 2009). Therefore based on this theoretical relationship among Procedural Justice Climate, Psychological Contract and Individual Behavior following research model and hypothesis are designed that will be tested through statistical analysis based on survey data.

## Hypothesis

H1:Procedural Justice Climate positively and significantly effects on Psychological Contract.

H2:Procedural Justice Climate positively and significantly effects on Individual behavior.

### III. RESEARCH METHODS

The purpose of this study is test hypothesis so the research philosophy is positivism and approach isdeductive. Methodological choice is quantitative and structured data are collected through self-administrated survey with closed ended likert scale. Study used simple random sampling and sample size is 104. Questionnaires for procedural justice climate, Psychological contract breach and in- role behavior as well extra- role behavior were adopted from previous studies.

## Data Analysis

### Frequencies

#### Statistics

		Gender	Marital status	Age	Qualification	Experience
N	Valid	104	104	104	104	104
	Missing	0	0	0	0	0

#### Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	78	75.0	75.0	75.0
	Female	26	25.0	25.0	100.0
	Total	104	100.0	100.0	

#### Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-25	27	26.0	26.0	26.0
	26-30	38	36.5	36.5	62.5
	31-40	31	29.8	29.8	92.3
	41 and above	8	7.7	7.7	100.0
	Total	104	100.0	100.0	

#### Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	76	73.1	73.1	73.1
	unmarried	28	26.9	26.9	100.0
	Total	104	100.0	100.0	

#### Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	1	1.0	1.0	1.0
	Bachelor	57	57.3	16.3	17.3
	Master	15	14.4	14.4	31.7
	M.Phil	28	26.9	26.9	58.7
	Phd	3	.3	41.3	100.0
	Total	104	100.0	100.0	

## Reliability

### Case Processing Summary

		N	%
Cases	Valid	104	100.0
	Excluded <sup>a</sup>	0	.0
	Total	104	100.0

a. Listwise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	N of Items
.728	15

Cronbach's Alpha value of .728 shows reliability of scales of procedural justice climate, PC and individual extra role and in- role behavior.

### Correlations

		PCB	IB	PJC
Psychological contract	Pearson Correlation	1	.553**	.636**
	Sig. (2-tailed)		.000	.000
	N	104	104	104
Individual behavior	Pearson Correlation	.553**	1	.779**
	Sig. (2-tailed)	.000		.000
	N	104	104	104
Procedural Justice climate	Pearson Correlation	.636**	.779**	1
	Sig. (2-tailed)	.000	.000	
	N	104	104	104

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**H1: Procedural Justice Climate positively and significantly effects on Psychological Contract.**

### Regression

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.553 <sup>a</sup>	.306	.299	2.70523

a. Predictors: (Constant) Procedural Justice climate

### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	328.883	1	328.883	44.940	.000 <sup>b</sup>
	Residual	746.463	102	7.318		
	Total	1075.346	103			

a. Dependent Variable: Psychological contract

b. Predictors: (Constant) Procedural Justice climate

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	5.845	.773		7.563	.000
	Procedural Justice climate	.698	.104	.553	6.704	.000

a. Dependent Variable: Psychological contract

A significant positive effect of Procedural justice climate on Psychological contract is found. Hence H2: There is a positive effect of Procedural justice climate on Psychological contract is supported.

**H2: Procedural Justice Climate positively and significantly effects on Individual behavior.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.779 <sup>a</sup>	.607	.603	2.02414

a. Predictors: (Constant), Procedural Justice climate

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	646.244	1	646.244	157.730	.000 <sup>b</sup>
	Residual	417.910	102	4.097		
	Total	1064.154	103			

a. Dependent Variable: Individual behavior

b. Predictors: (Constant), Procedural Justice climate

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	5.986	.578		10.352	.000
	Procedural Justice climate	.979	.078	.779	12.559	.000

a. Dependent Variable: Individual behavior

A significant positive effect of PJC on individual behavior (extra-role and in-role) is found. Hence H2: There is a positive effect of Procedural justice climate on Individual behavior (in-role and extra-role) is supported.

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IV. CONCLUSION

The tension arising from injustice at workplaces and anger results in motivating workers for less productivity. This Study evaluates the relationship among Procedural justice climate, psychological contract and individual behavior leading individual performance in the Public sector organization. Research added value and contribution in the existing literature related to procedural justice climate, psychological contract and individual behavior. Further, Findings reveal that there is considerably the positive influence of the Procedural justice climate on Psychology contract and individual behavior at workplace both in-role behavior and extra role behavior. This suggests that procedural justices climate at workplace should be encouraged and adopted for better psychological contract between employee and employer. This further will lead towards improved individual behavior both in-role and extra role. The findings suggest that equity in employee-supervisor relationship ultimately improves organizational performance hence if the fairness of the process is adopted at workplace it to determine positive outcomes, employee attitudes and behaviors. This Study has been

conducted to find direct effect of procedural justice climate on psychological contract and behavior further studies may be conducted to find mediating and moderating effect of procedural justice in psychological contract breach.

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